MERLIN

Annual Report 2003

Manitoba • Education • Research • Learning • Information • Networks

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MERLIN

MINISTER OF
ENERGY, SCIENCE AND TECHNOLOGY

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 26, 2003

His Honour
The Honourable Peter Liba, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2003.

Sincerely,

Tim Sale

Manitoba

Deputy Minister of
Energy, Science and Technology

Room 343, Legislative Building
Winnipeg, MB R3C 0V8
CANADA

June 27, 2003

Honourable Tim Sale
Minister of Energy, Science and Technology
Room 314, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Sale:

I am pleased to submit the 2002-03 Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) special operating agency for the year ending March 31, 2003.

MERLIN has had a very successful year in focusing on provincial services for Manitoba schools. Conferencing, provincial licensing, technical training, web delivery and information technology services continue to be valuable and cost-effective.

Of particular interest is the announcement made in January 2003, of a new initiative to bring email access to Manitoba students. MERLIN is taking a lead in the implementation of the "CyberSchools Manitoba" Internet Portal. Many focus groups and consultations with the Computer Educators Coordinators of Manitoba, the Department of Education and Youth and MERLIN have taken place to customize the portal to meet the needs of the education community. This portal will provide email access and other online tools in a safe and secure manner to students, teachers and administrators throughout the province.

I would like to take this opportunity to thank the education community for their ongoing support and staff for their contributions and commitment to a successful year.

Sincerely,

John Clarkson

On behalf of staff, I am pleased to report on the achievements of Manitoba Education, Research and Learning Information Networks (MERLIN). During the past year, MERLIN continued to support and respond to the technological needs of the education community.

There were many accomplishments in the past year.

- We are now officially connected to CA*net 4. The link is up and running from our office and available to our Internet clients. CA*net 4 is an advanced national research network that links research networks and institutions throughout Canada and is the first of its kind in the world.
- 1.3 million port minutes of conferencing were provided to the education community, government departments, and related organizations. MERLIN's rates have remained stable at 30-50% less than the public service provider's rates and have brought savings totalling $267,325 to the education community. The Manitoba Government Sustainable Development Committee considers audio conferencing a sustainable practice.
- The Microsoft Select Licensing Program brought a minimum of $93,000 of savings to schools. MERLIN also negotiated and entered into an agreement with Adobe.
- MERLIN staff co-chaired the annual distance learning conference of the Manitoba Association for Distributed Learning and Training (MADLaT).
- Our Annual Technology Day was another success with over 230 representatives from the education community and the Department of Education and Youth. We appreciate the support from vendors, speakers and participants.

The next several months will be very interesting times for those of us involved in the educational use of information communication technology. The recently announced Manitoba CyberSchools Education Portal will be available for initial deployment in June with general availability planned for the new school year.

The portal will provide basic functionality for all K-S4 students and staff including protected email, online calendars, online file storage and private web pages. The really interesting aspect of this system is the opportunity that it will provide to educators to add their own applications onto the portal while taking advantage of the inherent security and privacy features.

I would like to take this opportunity to thank the education community, stakeholders and our Advisory Board for their continued support and feedback and all staff for their dedication and hard work that lead us to another successful year.

GREG BAYLIS
Chief Operating Officer

BACKGROUND

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Youth. It was formed as a facilitating body to coordinate the delivery of technology services to the education community across Manitoba.

Following a five-year Effectiveness Evaluation, MERLIN revisited its goals and objectives and re-focused its efforts to be more pro-active and responsive to the needs of the education community.

In October 2002, MERLIN was transferred to the newly formed Department of Energy, Science and Technology.

MISSION

- To support the use of technology in improving educational services to learners.

MANDATE

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

CRITICAL SUCCESS FACTORS

- Focus on the K-S4 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern schools
- Proactive planning

GOALS AND OBJECTIVES

Goals:

- Provide products and services in a manner which improves equity across the Province;
- Provide products and services that support self-sufficiency at the school division level;
- Facilitate and support improved communication between the Department of Education and Youth and school divisions in the area of learning technologies;
- In consultation with the Department of Education and Youth, provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;
- Support the goals of the Department of Energy, Science and Technology and the Department of Education and Youth;
- Be pro-active in embracing opportunities and fostering relationships to the advantage of the educational community.

Objectives:

- Aggregate demand across the Province for hardware and software to provide better opportunities for all divisions;
- Build on existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;
- Develop linkages with aboriginal organizations to improve their ability to take advantage of our initiatives;
- Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;

- Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their own technology infrastructures;
- Deliver specific services directly to those divisions where the technical resources are unavailable;
- Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;
- Continue to regularly meet, consult, discuss, and collaborate with the Department of Education and Youth and school divisions to strengthen ties between curriculum planning and technology supply.
- Collaboratively develop provincial standards across the K-S4 system for use of information technology that will result in higher reliability and lower costs;

SERVICES

Provincial Licensing/Purchasing:

Licensing and purchasing on a province-wide basis helps ensure consistency in hardware and software products and provides economies of scale for smaller school divisions.

- Purchase advice and assistance for hardware such as routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software

Conferencing Services:

Audio Conferencing services provide school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations subsidize the cost to education by using excess bridge time.

- Operation of a 68-port digital audio conference bridge
- Audio conferencing advice and consultation
- 24x7 technical support and maintenance

Internet Services:

- Internet account packages (school or individual teacher accounts)
- Dial-up modem pool
- High speed direct connect services
- Help line support (1-800 service and email)
- Manitoba School Email Network (MSEN) Internet accounts
- MERLIN Advisory (requiring immediate action from school divisions)
- Internet content filtering services for schools, school divisions, individual modem users
- Listservs (set-up and administration)

Web Delivery Services:

- Technical support of the WEB server
- Technical maintenance of the Department of Education and Youth's WEB page
- WebCT administration and maintenance
- Web and email hosting

CyberSchools Education Portal:

This portal is intended to provide a safe and secure environment for Manitoba students to develop their skills in using the Internet in order to communicate easily and effectively with others in the electronic age. It will be available at no charge to all K-S4 students, teachers, administrators and other school division staff. Each user will be provided with –

- Personal email account
- Online calendar
- Network file storage
- Web space

Information Technology Services:

In general, these services fall within the areas of network, desktop, and security.

- Technical evaluations of computer equipment and networks
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of computer labs and systems
- Advice on technologies that support distance education delivery
- Research and development
- Router networks and support
- Network systems management
- Security services (Virtual Private Networks, Wide Area Networks, etc.)
- Facilitate and coordinate the IITV communications user group
- General support for the education community

Technical Training:

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education
- Delivery of workshops and seminars on distance education topics
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; BorderManager; Basic network administration; Windows 2000/XP Professional; Desktop Management

Provincial Technology Standards:

MERLIN has a core of highly trained specialists who play a role in developing core infrastructures and technology standards. The intent is to lead a collaborative process with participation by the K-S4 community to develop and implement standards for the use of technology across Manitoba. This is an ongoing process and is intended to lead to lower costs for school divisions through standardization and collaboration.

- Create and maintain architectural design standards and models
- Develop and institute 'best practice' guidelines for installation and ongoing operation of hardware and software infrastructures
- Design an educational portal for cost-effective and efficient use of Internet connectivity

MARKETS

Primary

Schools and school divisions (K-S4) comprised of 38 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

Secondary

Approximately 7 post-secondary institutions, adult learners, Department of Education and Youth, Advanced Education and educational organizations

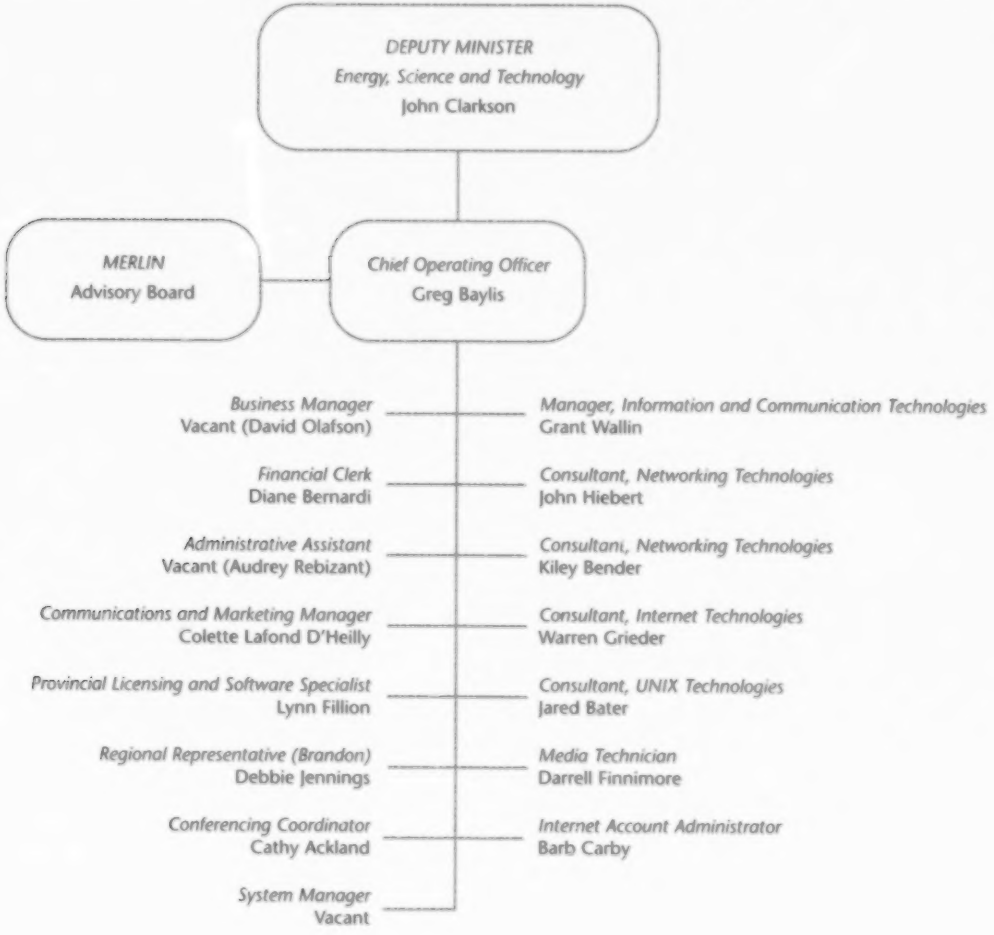
Tertiary

Other government departments and related organizations

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.

ORGANIZATIONAL STRUCTURE

MERLIN has 12 permanent staff years in addition to term and contract employees.



The Chief Operating Officer provides direction and leadership to the Agency to meet the needs of clients within the framework of Government and Departmental policies and initiatives. He reports directly to the Deputy Minister of Energy, Science and Technology.

Since April 1st, 2002, MERLIN's Advisory Board has met on a regular basis. The role of the Advisory Board is to provide advice and feedback on the Agency's strategic direction, changes to its mandate, business practices and finances. The Board comments on the Agency's performance through the review of proposed business plans as well as quarterly and annual reports. The Advisory Board ensures that MERLIN's priorities are aligned with those of the Manitoba school system.

ADVISORY BOARD

MR. LARRY THIESSEN
Chair, Computer Education Coordinators of Manitoba (CECM) – Western Region
Southwest Horizon School Division

MR. RICHARD INGIMUNDSON
Chair, Computer Education Coordinators of Manitoba (CECM) – Central Region
Lord Selkirk School Division

MR. SAM STEINDEL
Department of Education and Youth Representative
Coordinator, Distance Learning & Information Technolog. . Unit

MRS. JEANNETTE FREESE
Northern Representative
Secretary-Treasurer
Kelsey School Division

MR. JERRY STORIE
Rural Representative
Superintendent, Turtle Mountain School Division

MR. DON REECE
Urban Representative
Director of Information Technology
Pembina Trails School Division

MR. HOWARD BURSTON
First Nations Representative
Computer Specialist/Technician
Manitoba First Nations Education Resource Center

MR. GILBERT MICHAUD
Department of Education and Youth Representative
Special Projects Coordinator
Division du Bureau de l'Education Française

MR. RICK HALEY
ManACE Representative

MR. GREG BAYLIS
Chief Operating Officer, MERLIN

MERLIN's main office is located at the University of Manitoba in the Faculty of Education Building. A regional office is located near Brandon.

"We at Evergreen School Division are extremely satisfied with the support we have received from MERLIN. We have taken advantage of the reduced software costs that MERLIN has negotiated with vendors such as Adobe and Microsoft. The savings we have experienced are significant in our attempt to provide necessary software in our schools.

All of the MERLIN staff are consistently courteous and helpful to us. The prompt and thorough responses provided eliminate any down-time that we may otherwise experience. The support provided in the administration of email accounts has been superior and greatly appreciated as it is an integral part of our communications internally and externally. The offering of affordable IT training to school divisions is an additional bonus to everyone presently and will magnify in the future. Through communications with educators around the province, MERLIN has effectively introduced services that have been requested, such as content filtering. The open communication with MERLIN personnel and our partnership with MERLIN has been a valuable asset for Evergreen School Division."

Lloyd Roche, Technology Consultant,
Evergreen School Division

PERFORMANCE TARGETS AND ACCOMPLISHMENTS

Performance Areas

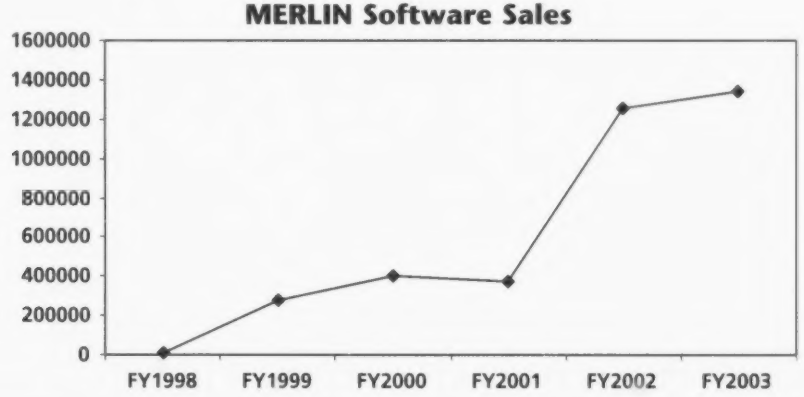
- Focus on the K-S4 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern school divisions
- Encourage a culture that supports sustainable development practices in the workplace

The following services have made an impact on MERLIN's overall performance areas.

PROVINCIAL LICENSING AND PURCHASING

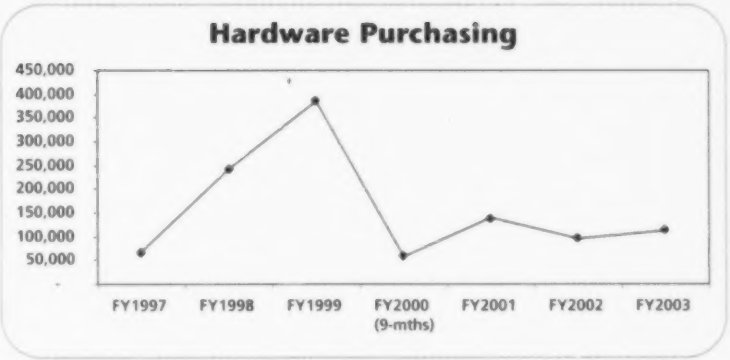
The Microsoft Select Agreement brought a minimum of $93,000 savings to the education community. All school divisions in the province are taking advantage of this agreement. The Adobe Agreement was signed in November 2002.

The following chart demonstrates the growth of software sales as a result of negotiating agreements with Microsoft, Corel, Symantec and Adobe.



Hardware Purchasing:

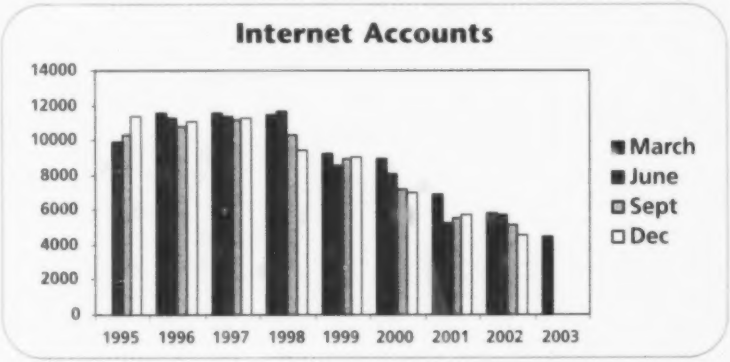
In 1996-97, MERLIN negotiated a Cisco Agreement that provided a 30% discount off the retail price for all Cisco products for the education community. This agreement was renewed in 2002. The chart includes sales on computer hardware, routers, switches, firewalls, virtual private networks (VPN) and miscellaneous items.

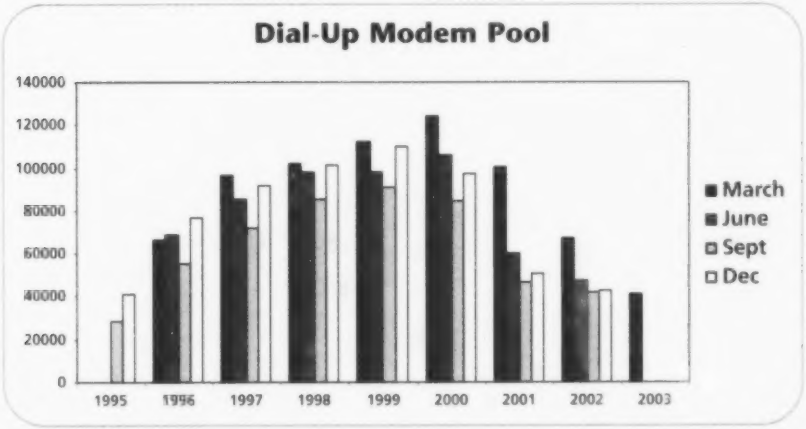


INTERNET

Internet accounts:

There are fewer MINET accounts today than when MERLIN was created. Our accounts peaked in June 1998. The decrease is due to school divisions running their own email server in both rural and urban divisions. It is predicted that the majority of Internet accounts will be transitioned to the Manitoba CyberSchools Education Portal once it is operational and schools opt to use the service.





Dial-Up Modem Pool:

The decline of modem connect hours is due to the switchover to Digital Subscriber Line (DSL) and cable modems. The Agency anticipates that the decline will continue in the next fiscal year. MERLIN is also in the process of evaluating alternatives to this service.

High Speed Direct Connect Services:

As of January 2003, MERLIN was connected to the Manitoba Regional Advanced Network (MRnet). MRnet is Manitoba's connection to very high-speed (at least 1 Gb/s) education and research networks including CA*net 4. This connection is available at no extra charge to schools that connect through MERLIN's Internet service and will provide access to a growing inventory of broadband content.

Content Filtering:

MERLIN started providing this service on July 1, 2001. To date, 11 school divisions are participating supporting over 18,000 workstations.

Email List Server:

MERLIN implemented an email list server for the purposes of encouraging communication between and within organizations. This electronic mail discussion list gives each mailing list a unique web page and allow users to subscribe, unsubscribe, and change their account options over the web. It offers most of the features that people want in a mailing list management system, including built-in archiving, mail-to-news gateways, SPAM filters, bounce detection, digest delivery, etc. To date, 39 lists have been created.

Technical evaluations of computer equipment and networks:

MERLIN staff work extensively with various school divisions across the province.

CYBERSCHOOLS EDUCATION PORTAL

This portal has been customized to meet the needs of the education community. User requirements were defined through a series of focus group consultations with school divisions and the Department of Education and Youth. Twenty-four out of thirty-eight school divisions have expressed interest in participating in the pilot phase.

WEB DELIVERY

MERLIN hosted a number of secondary school courses for web-based distance delivery on its servers. This provided an opportunity for teachers to create and deliver courses and for students to access courses not otherwise available. MERLIN configured and installed a new server to provide additional capacity for delivering online courses to Manitoba students. Courses were moved to the new SUNFire V880 server from February 17 to 20, 2003. Improved access and support for distance delivery benefited the education field.

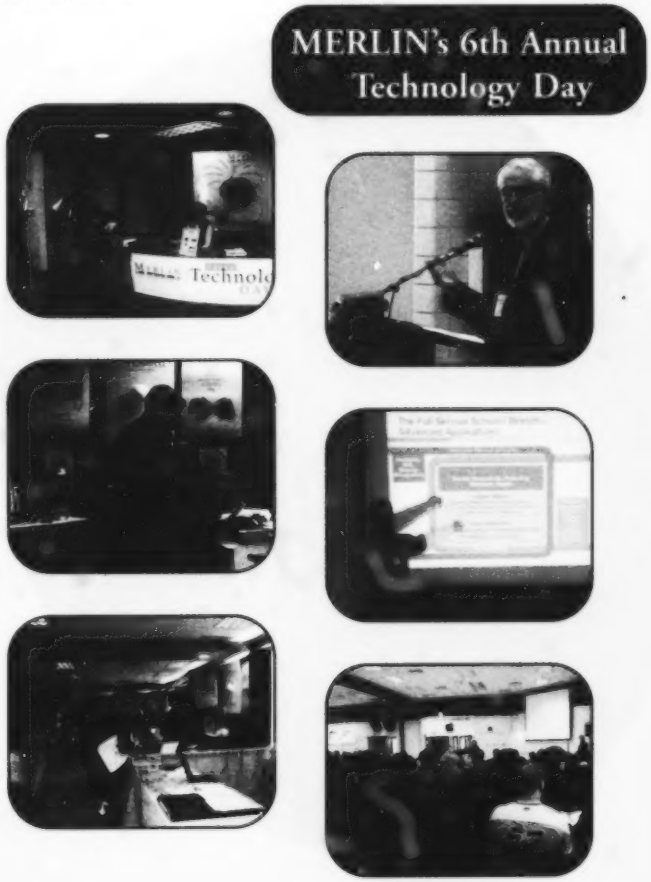
Web and email domain hosting allows education and educational organizations to have a presence on the Internet at very affordable rates. Most of the current web hosting services are expected to migrate to the Manitoba CyberSchools Education Portal.

GENERAL SUPPORT TO THE EDUCATION COMMUNITY

- MERLIN assisted in the organization and coordination in planning the Manitoba Association for Distributed Learning and Training (MADLaT) annual 2-day conference that took place on March 13 & 14, 2003. It attracted approximately 125 participants from all sectors of education in the province - K-S4, post-secondary, post-secondary students, government and business. It provided an excellent opportunity to learn new skills, find out what is happening in distance and distributed learning as well as network with colleagues from throughout Manitoba and Canada
- The Agency's Help Line continues to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues.
- MERLIN staff attended the Computer Education Coordinators of Manitoba (CECM) meetings on a regular basis in both the Central and Parkland/Westman region.
- A Fall and Spring newsletter containing updates and general information was distributed.
- MERLIN's 6th Annual Technology Day – This event was another great success. There were over 230 attendees including our staff, exhibitors and presenters. Thirty-three out of thirty-eight school divisions were represented and there were 26 representatives from the Department of Education and Youth (BEF, DLITU, STS, Aboriginal Directorate). This provided a great day to network with representatives from Manitoba schools and to obtain and share information on the use of technology in the classroom.

TECHNICAL TRAINING

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available. MERLIN is responsive to the needs of school divisions and organizes workshops and training sessions to meet their expressed needs. School division technicians, computer coordinators, teachers, and administrative staff attend MERLIN's workshops. Whenever possible, MERLIN delivers workshops in rural communities making the training more accessible to rural school divisions.



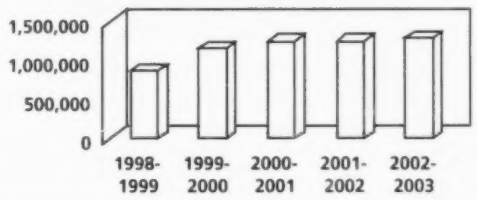
SEMINARS AND/OR WORKSHOPS DELIVERED (April 1, 2002 to March 31, 2003)	CLIENT
• Windows NT 4.0 servers	Manitoba First Nations Education Resource Centre (MFNERC) – August 22
• WAN Architectures	Manitoba First Nations Education Resource Centre (MFNERC) – August 23
• Zenworks	◗ CECM Annual General Meeting – May 24
	◗ Various school divisions in the Parkland/Westman area (Brandon) – September 25
	◗ Flin Flon School Division
• Windows NT 4.0	◗ Agassiz Adult Education
• BorderManager	◗ Mountain View School Division – November
	◗ Park West School Division – November
• Microsoft seminar	◗ Various school divisions – May 14
• CyberSchools	◗ Both Computer Education Coordinators of Manitoba (CECM) groups of which 20 out of 38 school divisions were represented – March 20
• Software Purchasing & Licensing compliancy sessions	◗ Seine River School Division (superintendents and principals) – October 15
	◗ Seine River School Division (coordinators and technicians) – September 10

To facilitate attendance, some workshops have been arranged to coincide with other events including Riding the Wave (Gimli), the Computer Education Coordinators of Manitoba (and technicians) Annual General Meeting (Elkhorn), MERLIN's Annual Technology Day, annual teacher conferences, etc.

AUDIO CONFERENCING

MERLIN operates a 68-port digital audio bridge that provides school divisions and post-secondary institutions with an option for course delivery and communication. Government departments and related organizations subsidize the cost to education through use of excess bridge time. Costs are approximately 30% less than the public service provider rates.

Fiscal Years: 1998-2003



Fiscal Years	Total Port Minutes	Explanation
1998-1999	874,500	1
1999-2000	1,162,508	2
2000-2001	1,250,741	
2001-2002	1,245,212	
2002-2003	1,288,770	

1. Bridge used solely by Teacher-Mediated Option
2. Service extended to government departments and related organizations

"The Forum of Labour Market Ministers (FLMM) Secretariat, housed in Manitoba during the 2001-02 and 2002-03 fiscal years, used MERLIN's services extensively for Federal/Provincial/Territorial conference calls. The consistent phone numbers, passcodes and our own FLMM greeting provided a uniform, personalized service to the FLMM Secretariat and our members across the country. The use of conference calls allowed jurisdictions to participate at a minimal cost in order to prepare, organize and plan for the more costly in-person meetings."

Eileen Hepples, Policy Analyst,
Policy and Planning Branch
Department of Education and Youth

"MERLIN's teleconference rates are very reasonable, and the quality and clarity of the connections is first rate. Our members use the "dial-in" teleconferences with great success."

Arnold Reimer, Executive Director,
Manitoba Association of School Superintendents

Client Base, 2002-2003

Teacher-Mediated Option	670,097
Post-Secondary	95,805
Red River College	185,332
Dept Education	60,398
School Divisions	9,150
Other Departments	211,829
External	41,150
MERLIN	15,009
Total:	**1,288,770**

Encourage a culture that supports sustainable practices in the workplace:

Accomplishments:

- A staff member has volunteered to lead Sustainable Development initiatives within the organization.
- Increased use of email; on-line registrations; duplex printing; re-cycling of paper products, aluminum, plastic and glass is provided by the University of Manitoba; use of re-cycled toner cartridges, re-cycling used toner cartridges; re-circulation of magazines; Use of re-usable products for house keeping purposes, bulk kitchen purchases, re-usable dishes, cutlery and glassware; recycling of batteries; use of re-fillable pens.
- All staff turn off office lights and computers when out of the office.
- Increased use of audio conferencing for staff meetings and other meetings.
- Increased advertising to government departments and schools/school divisions regarding audio-conferencing with MERLIN.

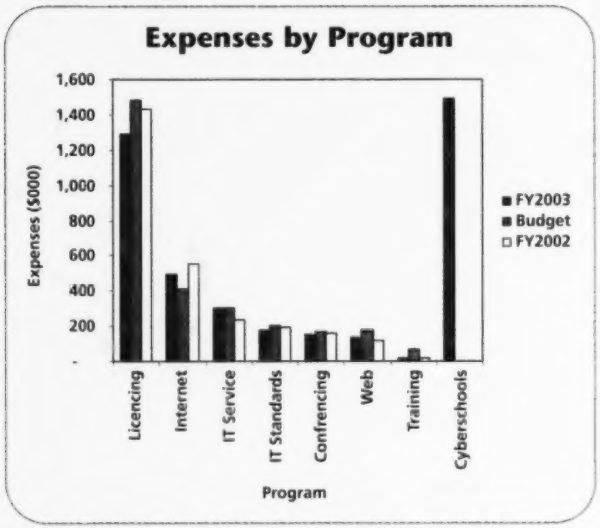
"MERLIN's audio conferencing (teleconferencing) service is considered a sustainable practice by the Manitoba Government Sustainable Development Committee."

FUTURE OUTLOOK

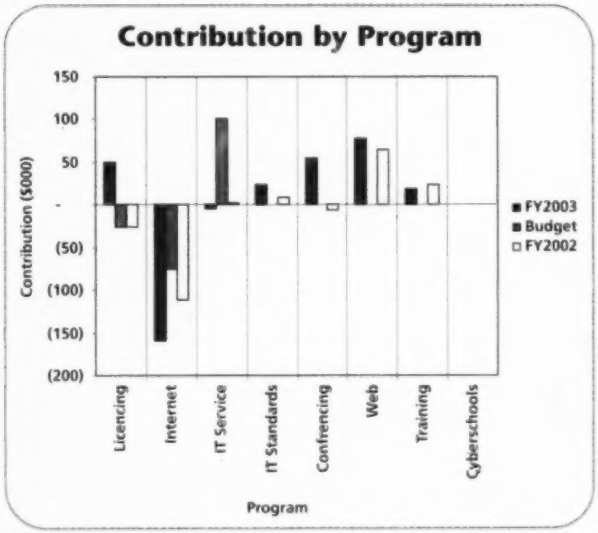
MERLIN is anticipating a very eventful and productive future:

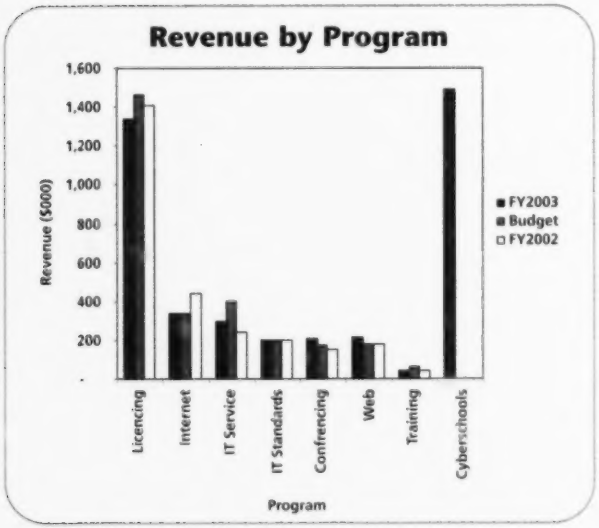
- The Manitoba CyberSchools Education Portal will have a significant impact over the next several years. Staff resources will be dedicated to the implementation, training and support of the portal. Most of the current web hosting services are also expected to migrate to this new service.
- The Agency will be renewing the Maintenance Agreement for the audio conference bridge. There will also be an upgrade to the system software to better meet administrative needs. It is expected that increased advertising to government departments and schools/schools divisions will augment port-minute usage.
- MERLIN will also be undertaking a complete review of the dial-up Internet service that is currently provided.
- The provincial government will be doing a pilot project with the Provincial Data Network (PDN) with three school divisions.
- In respect to technical training, MERLIN will be hosting Novell training (5-day) for schools in July 2003. There will also be training for Microsoft (5-day) in August 2003. Both of these customized courses have been specifically designed for technicians and computer coordinators in Manitoba schools. MERLIN will facilitate other training courses/sessions as the demand and need arises.

MERLIN is looking forward to other opportunities that benefit the education community.



MERLIN's net income for the year ended, March 31, 2003, was $60K above budget.





M·E·R·L·I·N

Manitoba • Education • Research • Learning • Information • Networks

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 21, 2003.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

GREG BAYLIS
Chief Operating Officer

David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)
May 21, 2003

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MERLIN is a special operating agency with the Department of Energy, Science and Technology.

www.merlin.mb.ca

BDO

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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2003 and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 21, 2003

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

BALANCE SHEET
(in thousands of dollars)

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and funds on deposit	$ 503	$ –
Accounts receivable	298	292
Prepaid expense	49	50
	850	342
RECEIVABLE FROM THE PROVINCE OF MANITOBA (note 2)	47	47
CAPITAL ASSETS (note 3)	343	355
	$ 1,240	$ 744
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Working capital advances (note 4)	$ –	$ 717
Accounts payable and accrued expenses	462	221
Unearned revenue	80	39
Trust liabilities (note 5)	87	109
	629	1,086
CYBERSCHOOLS (note 6)	887	–
SEVERANCE PAY LIABILITY (note 7)	58	52
	1,574	1,138
COMMITMENTS (note 9)		
DEFICIT (page 21)	(334)	(394)
	$ 1,240	$ 744

STATEMENT OF INCOME AND DEFICIT

(in thousands of dollars)

	2003	2002
REVENUE		
Provincial licencing and purchasing	$ 1,337	$ 1,410
Internet services	338	440
Information technology services	293	240
Provincial technology standards	200	200
Electronic conferencing	203	150
Web delivery services	215	181
Technical training services	39	42
Cyberschools	1,493	–
Total Revenue	4,118	2,663
EXPENSES		
Provincial licencing and purchasing	1,288	1,436
Internet services	497	551
Information technology services	298	238
Provincial technology standards	177	191
Electronic conferencing	148	156
Web delivery services	137	117
Technical training services	20	18
Cyberschools	1,493	–
Total Expenses	4,058	2,707
NET INCOME (LOSS)		
Provincial licencing and purchasing	49	(26)
Internet services	(159)	(111)
Information technology services	(5)	2
Provincial technology standards	23	9
Electronic conferencing	55	(6)
Web delivery services	78	64
Technical training services	19	24
Cyberschools	–	–
Total net income (loss) for the year	60	(44)
DEFICIT -- BEGINNING OF YEAR	(394)	(350)
DEFICIT – END OF YEAR	$ (334)	$ (394)

STATEMENT OF CASH FLOWS
(in thousands of dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 60	$ (44)
Adjustment for Amortization	124	102
	184	58
Changes in non-cash working capital		
Accounts receivable	(6)	282
Prepaid expenses	1	(18)
Short-term investment	–	191
Accounts payable	241	(612)
Unearned revenue	41	(25)
Trust liability	(22)	(152)
	255	(334)
	439	(276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets	(112)	(161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Severance liability	6	6
Cyberschools	887	–
	893	6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,220	(431)
WORKING CAPITAL ADVANCES – BEGINNING OF YEAR	(717)	(286)
CASH (WORKING CAPITAL ADVANCES) – END OF YEAR	$ 503	$ (717)

BASIS OF REPORTING

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%

In the period of acquisition, amortization is calculated at one-half the rate indicated.

FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of accounts receivable, accounts payable and accrued expenses, trust liabilities and severance pay liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1 NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Energy, Science and Technology, under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2 RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. This receivable, or portion thereof, for the Agency, will be collected in the event there is a cash shortfall. However, this is only likely to happen on dissolution of the Agency. The balance is consists of:

	2003	2002
Vacation entitlements	$ 19	$ 19
Severance pay benefits	28	28
	$ 47	$ 47

3 CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 451	$ 194	$ 393	$ 157
Computer software	52	40	57	35
Equipment and furniture	184	110	173	76
	$ 687	$ 344	$ 623	$ 268
Cost less accumulated amortization		$ 343		$ 355

4 WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million.

During the year, the Agency incurred interest charges of $12 (2002 - $6).

5 TRUST LIABILITIES

The Agency entered into an agreement with Industry Canada to operate a Grassroots Internet project for both Manitoba and Canadian Schools. The balance in the account represents funds paid to the Agency but not yet disbursed to the schools.

	2003	2002
Grassroots Internet	$ 87	$ 109

6 CYBERSCHOOLS

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway/portal to support K-S4 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

The contribution from Community Connections is $3,255, with payments scheduled as follows:

February 2003	$	2,380
April 2003		875
Total payments	$	3,255

During the year ended March 31, 2003, receipts and disbursements are as follows:

Receipts	$	2,380
Disbursements		1,493
Deferred balance as at March 31, 2003	$	887

7 SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability at that time was based on an actuarial valuation report.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $28 was completely offset by a receivable from the Province.

In accordance with the formula provided in the most recent actuarial valuation report (March 31, 2000), the Agency's liability has been calculated to be $58 as at May 21, 2003 ($52 - March 31, 2002).

8 REVENUE – MANITOBA EDUCATION, AND YOUTH

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Manitoba Education, Training and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

9 COMMITMENTS

The Agency leases office space under a long-term lease. The future minimum payments required under these leases over the next four fiscal years are:

2004	$ 52
2005	52
2006	52
2007	26

10 PUBLIC SECTOR COMPENSATION

Pursuant to The Public Sector Compensation Disclosure Act, employees of MERLIN who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2003 are disclosed in the Special Operating Agency Financing Authority (SOAFA) Annual Report.

AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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MERLIN

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